

**M.A.I.S.L**  
**(Metropolitan Association for Improved School Legislation)**  
**Joint Risk Management Trust**

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**Financial Report**  
**with Additional Information**  
**June 30, 2004**

# **M.A.I.S.L. Joint Risk Management Trust**

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## Independent Auditor's Report

To the Board of Directors  
M.A.I.S.L. Joint Risk Management Trust

We have audited the balance sheet of the M.A.I.S.L. Joint Risk Management Trust as of June 30, 2004 and 2003 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of M.A.I.S.L. Joint Risk Management Trust at June 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As described in Note I, M.A.I.S.L. Joint Risk Management Trust has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

*Plante & Moran, PLLC*

August 19, 2004

# **M.A.I.S.L. Joint Risk Management Trust**

## **Management's Discussion and Analysis**

This section of the M.A.I.S.L. Joint Risk Management Trust's (the "Trust") annual financial report presents our discussion and analysis of the Trust's financial performance during the year ended June 30, 2004. Please read it in conjunction with the Trust's financial statements, which immediately follow this section.

### **Using this Annual Report**

The Trust is a public entity self-insurance pool that provides property and liability coverages to its participating members. Membership is primarily, but not limited to, school districts in the state of Michigan. This annual report consists of a series of financial statements. The statement of net assets and the statement of revenue, expenses, and changes in net assets provide information about the financial activities of the Trust. This is followed by the statement of cash flows, which presents detailed information about the changes in the Trust's cash position during the year.

### **Financial Overview**

This annual statement consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

The Trust is considered a special-purpose government solely engaged in business-type activities. The basic financial statements, which follow this section, provide both long-term and short-term information about the Trust's financial status. The Trust uses the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. These statements reflect only the risk carried by the Trust, which also includes any potential unrecoverable reinsurance claims. The three basic financial statements presented are as follows:

- **Statement of Net Assets** - This statement presents information reflecting the Trust's assets, liabilities, and net assets.
- **Statement of Revenues, Expenses, and Changes in Net Assets** - This statement reflects the operating and nonoperating revenues and expenses for the previous two fiscal years. Operating revenues primarily consist of member contributions and investment income, with the major sources of operating expenses being claims and claims adjustment expense, general and administrative expenses, and reinsurance costs.
- **Statement of Cash Flows** - This statement is presented on the direct method of reporting and reflects cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Management's Discussion and Analysis (Continued)**

### **Condensed Financial Information**

The statements report the Trust's net assets and how they have changed. Net assets - the difference between the Trust's assets and liabilities - is one way to measure the Trust's financial health, or position. Over time, increases and decreases in the Trust's net assets are an indicator of whether its financial health is improving, or deteriorating, respectively. Summarized financial information follows:

NET ASSETS			CHANGES IN NET ASSETS		
As of June 30	2004	2003	Year Ended June 30	2004	2003
Total assets	\$5,750,187	\$4,430,164	Total revenue	\$9,195,760	\$7,962,964
Total liabilities	3,503,373	2,876,943	Total expenses	8,502,167	7,369,253
Net assets	\$2,246,814	\$1,553,221	Increase in net assets	\$693,593	\$ 593,711

In addition to net assets, when assessing the overall health of the Trust, the reader needs to consider other nonfinancial factors such as the legal climate in the State, the general state of the financial markets, and the level of risk prevention undertaken by the Trust and its members.

The Trust cannot control the first two factors. However, since its inception, the Trust has been a leader in implementing aggressive risk prevention programs. It provides extensive training to its members in various areas of school district operations. It makes use of several advisory committees comprised of member employees holding job responsibilities related to the activities of the committees.

### **Condensed Comparative Financial Highlights**

- Overall, the Trust's net assets increased by \$693,593 from \$1,553,221 to \$2,246,814, due to an increase in member contributions discussed below. This increase in member contributions was offset by an increase in expenses, specifically claims and claims adjustment expenses.
- Total revenue increased by \$1,232,796 from \$7,962,964 to \$9,195,760. Member contributions for insurance coverage premiums increased approximately \$1,251,000 while investment income decreased \$18,400.
- Risk management, underwriting, and other administrative expenses increased by \$30,012 from \$263,328 to \$293,340 due to inflation and an increase in member contributions.
- Incurred claims and claims adjustment expenses were \$2,720,574 and \$2,483,252 for the years ended June 30, 2004 and 2003, respectively.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Management's Discussion and Analysis (Continued)**

- Outside reinsurance costs increased by \$624,179 from \$4,116,259 to \$4,740,438.
- Reserves (reported net of estimated reinsurance recoveries), both reported and incurred but not reported, increased by \$668,609.
- Investment income of \$44,860 was earned this year compared to \$63,258 in the prior year. This decrease was a direct result of market interest rates during the current year.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise the most significant numbers in the asset section of the Trust's statement of net assets.

Currently, all cash and cash equivalents of the Trust are made as permitted by Michigan School Law and as permitted under the insurance code of 1956, Act 218 of the Public Acts of 1956 as amended, being sections 500.100 to 500.8302 of the Michigan Compiled Laws.

Currently, all cash and cash equivalents of the Trust are professionally managed in money market funds and held in trust by BankOne.

### **Reserves for Unpaid Claims**

The Trust's most significant numbers in the liability section of the statement of net assets are the reserves for reported and incurred but not reported claims and claim adjustment expenses. Milliman Consultants and Actuaries, a Milliman Global Firm, conducts an independent actuarial analysis to determine the adequacy and reasonableness of such reserves.

Respectfully yours,

M.A.I.S.L. Joint Risk Management Trust

Gerald R. Dunn  
Executive Director

# M.A.I.S.L. Joint Risk Management Trust

## Statement of Net Assets

	June 30	
	2004	2003
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 5,527,764	\$ 4,270,768
Accounts receivable - Excess insurance carrier	55,968	5,771
Funds on deposit with claims administrator	150,000	150,000
Other assets	16,455	3,625
<b>Total assets</b>	<b>\$ 5,750,187</b>	<b>\$ 4,430,164</b>
<b>Liabilities and Members' Equity</b>		
<b>Liabilities</b>		
Accounts payable:		
Trade	\$ 10,972	\$ 1,221
Excess insurance carrier	-	31,920
Allowance for unsettled claims and claims incurred but not reported (Note 3):		
Due within one year	1,663,833	-
Due in more than one year	2,144,054	2,906,350
Amounts due from excess insurance carrier	(418,793)	(185,865)
Other accrued liabilities	103,307	123,317
<b>Total liabilities</b>	<b>3,503,373</b>	<b>2,876,943</b>
<b>Net Assets - Undesignated</b>	<b>2,246,814</b>	<b>1,553,221</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,750,187</b>	<b>\$ 4,430,164</b>

# **M.A.I.S.L. Joint Risk Management Trust**

## **Statement of Revenue, Expenses, and Changes in Net Assets**

	Year Ended June 30	
	2004	2003
<b>Operating Revenue</b>		
Member contributions	\$ 9,150,900	\$ 7,899,706
Investment income	<u>44,860</u>	<u>63,258</u>
Total operating revenue	9,195,760	7,962,964
<b>Operating Expenses</b>		
Provision for claims:		
Payments	2,051,965	1,783,103
Increase in liabilities for unsettled claims and claims incurred but not reported - Net of reinsurance recoveries (Note 3)	668,609	700,149
Excess insurance premiums	4,740,438	4,116,259
Service fee	462,342	406,290
Administrative expenses:		
Risk manager	48,172	47,740
Insurance and bonds	16,422	16,421
Professional fees	28,402	31,252
Office expenses	78,328	50,430
Administrative fee	122,016	117,485
Surplus lines tax/State assessments	<u>285,473</u>	<u>100,124</u>
Total operating expenses	<u>8,502,167</u>	<u>7,369,253</u>
Operating Income	693,593	593,711
Net Assets - Beginning of year	<u>1,553,221</u>	<u>959,510</u>
Net Assets - End of year	<u>\$ 2,246,814</u>	<u>\$ 1,553,221</u>



# M.A.I.S.L. Joint Risk Management Trust

## Statement of Cash Flows

	Year Ended June 30	
	2004	2003
<b>Cash Flows from Operating Activities</b>		
Cash received from members	\$ 9,087,873	\$ 7,965,328
Cash payments to suppliers for goods and services	<u>(7,875,737)</u>	<u>(6,660,209)</u>
Net cash provided by operating activities	1,212,136	1,305,119
<b>Cash Flows from Investing Activities - Interest</b>	<u>44,860</u>	<u>63,258</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,256,996	1,368,377
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>4,270,768</u>	<u>2,902,391</u>
<b>Cash and Cash Equivalents - End of year</b>	<b><u>\$5,527,764</u></b>	<b><u>\$4,270,768</u></b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ 693,593	\$ 593,711
Adjustments to reconcile operating income to net cash from operating activities:		
Interest and dividends	(44,860)	(63,258)
(Increase) decrease in assets:		
Accounts receivable	(50,197)	119,247
Funds on deposit with claims administrator	-	(50,000)
Other assets	(12,830)	(3,625)
Increase (decrease) in liabilities:		
Accounts payable	(22,169)	(6,459)
Allowance for unsettled claims and claims incurred but not reported	668,609	700,149
Accrued liabilities	<u>(20,010)</u>	<u>15,354</u>
Net cash provided by operating activities	<b><u>\$1,212,136</u></b>	<b><u>\$1,305,119</u></b>

# **M.A.I.S.L. Joint Risk Management Trust**

## **Notes to Financial Statements June 30, 2004 and 2003**

### **Note 1 - Nature of Entity and Significant Accounting Policies**

The M.A.I.S.L. Joint Risk Management Trust (the "Trust") was established June 30, 1988 under the laws of the State of Michigan as a governmental group self-insurance trust. Organizational activity relating to the formation of the Trust, including the selection of the Board of Directors, was sponsored by the Metropolitan Association for Improved School Legislation (M.A.I.S.L.), the founding association. The Trust provides coverage for various types of liability, including the following: general, automobile, automobile physical damage, mobile equipment, EDP software and fine arts, crime umbrella, and other miscellaneous property. Membership in the Trust is primarily, but not limited to, school districts in the state of Michigan, with 35 districts currently participating.

The program's general objectives are to manage the Trust, provide risk management consisting of compensating members for losses, costs, and expenses related to the stated coverages, and utilize the funds contributed by members to defend any member of the pool against stated liability or loss. Membership in the Trust is considered after a formal request supported by a resolution from the Board of Education of the applying school district. A member may withdraw from the Trust by giving written notice. Written notice must be given six months prior to the following fiscal year.

Trust underwriting and rate-setting policies are established after consultation with the excess insurance underwriters and the actuaries. Members are given 30 days notice to make annual contributions to the Trust. The annual contributions are based on a final budget approved by the Board of Directors.

The accompanying financial statements are presented using the accrual method of accounting. Contributions from members, which are calculated by the service company in compliance with the provisions of the Trust's excess insurance policies, are recorded as revenue. Claim losses, along with excess insurance premiums, service fees, and administrative costs, are recorded as expenses. The estimated total cost of claim losses is accrued based on the estimate of claims that will be ultimately filed for an insurance period. To the extent that the group's contributions ultimately exceed claim losses and other costs, the excess amount will be refunded in the future. If necessary, funding deficits in individual policy years will be recovered through additional member contributions assessed to members participating in that policy year.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Notes to Financial Statements June 30, 2004 and 2003**

### **Note 1 - Nature of Entity and Significant Accounting Policies (Continued)**

**Cash Equivalents** - The Trust considers all highly liquid investments purchased with an original maturity of three months or less, including bank-managed investment pools, to be cash equivalents.

**Accounts Receivable** - Trade accounts receivable are stated at net invoice amounts. Collectibility of balances is reviewed periodically. Any amounts deemed to be uncollectible are written off at that time. No allowance for bad debts is recorded because management considers all accounts receivable to be collectible.

**Federal Income Tax Status** - The Trust's income is exempt from taxation under Internal Revenue Code Section 115. Accordingly, no provision has been made for taxes on income.

**Contribution Deficiency** - Anticipated investment income is considered in determining if a contribution deficiency exists.

**Reclassification** - Certain prior year amounts have been reclassified to conform to the current year presentation.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates related to allowances for unsettled claims and claims incurred but not reported are described in Note 3.

#### **Accounting Change**

**GASB Statement No. 34** - Effective July 1, 2003, M.A.I.S.L. Joint Risk Management Trust implemented the provisions of Governmental Accounting Standards Board Statement No. 34 (GASB No. 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Notes to Financial Statements June 30, 2004 and 2003**

### **Note 2 - Deposits and Investments**

The Trust's deposits and investments are included on the statement of net assets under the following classifications:

	<u>Cash and Cash Equivalents</u>	
	<u>2004</u>	<u>2003</u>
Deposits	\$ 5,527,764	\$ 593,119
Investments	<u>-</u>	<u>3,677,649</u>
Total	<u>\$ 5,527,764</u>	<u>\$ 4,270,768</u>

**Deposits** - At June 30, 2004 and 2003, the above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$5,846,411 and \$998,764, respectively. At June 30, 2004 and 2003, \$200,000 and \$162,638, respectively, was covered by federal depository insurance, and the remainder was uninsured and uncollateralized. The Trust believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Trust evaluates each financial institution with which it deposits Trust funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Investments** - The Trust's investments consist of money market funds. Money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The money market funds represent bank investment pools that are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.

### **Note 3 - Allowances for Unsettled Claims and Claims Incurred but Not Reported**

As discussed in Note 1, the Trust establishes a liability for both reported and unreported claims that includes estimates of both future losses and related claim adjustment expenses.

# **M.A.I.S.L. Joint Risk Management Trust**

## **Notes to Financial Statements June 30, 2004 and 2003**

### **Note 3 - Allowances for Unsettled Claims and Claims Incurred but Not Reported (Continued)**

At June 30, 2004 and 2003, the estimates are as follows:

	<u>2004</u>	<u>2003</u>
Case reserves (estimated by insurance service provider)	\$ 1,812,046	\$ 1,217,648
Estimate of future development on case reserves and claims incurred prior to June 30, not reported as of that date, that are expected to be filed in the future (actuarially calculated)	2,148,167	1,807,807
Less portion to be paid by excess insurance carrier (Note 4)	<u>(418,793)</u>	<u>(185,865)</u>
Net undiscounted reserves	3,541,420	2,839,590
Less effect of discount	<u>(152,326)</u>	<u>(119,105)</u>
Net discounted reserves	<u>\$ 3,389,094</u>	<u>\$ 2,720,485</u>

For the years ended June 30, 2004 and 2003, the estimates of the claims incurred but not reported as of those dates were actuarially determined and are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. The reserves for unsettled claims and claims incurred but not reported are presented at present value using a discount rate of 3 percent and a 50 percent confidence level for the years ended June 30, 2004 and 2003, respectively. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. Any future adjustments of these amounts will affect the reported results of future periods.

# M.A.I.S.L. Joint Risk Management Trust

## Notes to Financial Statements June 30, 2004 and 2003

### Note 3 - Allowances for Unsettled Claims and Claims Incurred but Not Reported (Continued)

The following table represents changes in the unpaid claims for the Trust for the years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Unpaid claims and claims adjustment expenses - Beginning of fiscal year	\$ 2,720,485	\$ 2,020,336
Incurring claims and claims adjustment expenses:		
Provision for insured events of the current fiscal year	2,734,750	2,398,488
Increase (decrease) in provision for insured events of prior fiscal years	<u>218,752</u>	<u>(238,527)</u>
Total incurred claims and claims adjustment expenses	2,953,502	2,159,961
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current fiscal year	967,417	734,347
Claims and claims adjustment expenses attributable to insured events of prior fiscal years	<u>1,084,548</u>	<u>1,048,756</u>
Total payments	2,051,965	1,783,103
Decrease (increase) in amount to be paid by excess insurance carrier	<u>(232,928)</u>	<u>323,291</u>
Unpaid claims and claims adjustment expenses - End of fiscal year	<u>\$ 3,389,094</u>	<u>\$ 2,720,485</u>

The estimated liability for incurred prior year claims increased in 2004 and decreased in 2003 due primarily to claims settling for amounts different from those originally estimated.

# M.A.I.S.L. Joint Risk Management Trust

## Notes to Financial Statements June 30, 2004 and 2003

### Note 4 - Insurance Coverage

The Trust has acquired excess liability insurance coverage for both specific claims and aggregate claims paid by the Trust. The specific insurance policy will reimburse the Trust for any specific claims in excess of the amounts shown below, up to the maximum coverage shown below. Under the aggregate policy, the insurance carrier will reimburse the Trust for all claims paid in excess of the Loss Fund as shown below. Upon exhaustion of the Loss Fund, the excess insurance carrier becomes the primary insurer to the extent of the coverage provided in the contract as specified below.

Accident Date by Insurance Period	Deductible	Specific Occurrence			Aggregate Reinsurance	
		In	Maximum		Loss	Maximum
		Excess of	Coverage		Fund	Coverage
Policy year 15:						
General and auto liability	\$ -	\$ 400,000	\$ 6,000,000	(3)	(1)	(4)
Damage to insured's property	1,000	400,000	500,000,000		(1)	Unlimited
Robbery and forgery	1,000	400,000	100,000		(1)	(2)
Employee fidelity	1,000	400,000	200,000		(1)	(2)
Boiler and machinery	1,000	-	50,000,000		-	(2)
Policy year 16:						
General and auto liability	-	400,000	6,000,000	(3)	(1)	(4)
Damage to insured's property	1,000	400,000	500,000,000		(1)	Unlimited
Robbery and forgery	1,000	400,000	100,000		(1)	(2)
Employee fidelity	1,000	400,000	200,000		(1)	(2)
Boiler and machinery	1,000	-	50,000,000		-	(2)

- (1) The maximum exposure to the Trust for any combination of the above types of claims is as follows:

Years Ended	Amount
June 30	
2004	\$ 3,577,319
2003	3,358,000

- (2) Liability reverts back to the school district after the specific limit is reached.
- (3) Several member school districts have purchased additional coverage for general liability claims, ranging from \$6,000,000 to \$26,000,000.
- (4) Coverage is limited only by the maximum allowed recovery per school district per year, which ranges from \$8,000,000 to \$28,000,000.

## **Additional Information**

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To the Board of Directors  
M.A.I.S.L. Joint Risk Management Trust

We have audited the financial statements of the M.A.I.S.L. Joint Risk Management Trust for the years ended June 30, 2004 and 2003. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of claims information for all lines of coverage on pages 15 and 16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The additional information on pages 17 and 18 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedule of claims information for all lines of coverage and the statement of operations and changes in members' equity (deficit) by policy year have been prepared from financial statements for each of the respective periods shown in the schedules as updated for subsequent activity. We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements from which the schedules were derived. In our opinion, the schedule of claims information for all lines of coverage and the statement of operations and changes in members' equity (deficit) by policy year are fairly stated in all material respects in relation to the financial statements from which they were derived.

*Plante & Moran, PLLC*

August 19, 2004

# **M.A.I.S.L. Joint Risk Management Trust**

## **Required Supplementary Information Schedule of Claims Information for All Lines of Coverage**

The table on the following page illustrates how the Trust's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Trust as of the end of each of the last 10 years. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
- (2) This line shows each fiscal year's other operating costs of the Trust, including overhead and claims expense not allocable to individual claims.
- (3) This line shows the Trust's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued), as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
- (5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
- (6) This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years. A part of the annual change in estimated claims will be an increase attributable to accretion in the present value computation. That amount is not shown separately. All computations of claims are made using the discounted present value method and a 50 percent confidence level.

# M.A.I.S.L. Joint Risk Management Trust

## Required Supplementary Information Schedule of Claims Information for All Lines of Coverage (Continued)

Fiscal Year Ended June 30	1995	1996	1997*	1998	1999	2000	2001	2002	2003	2004
(1) Required contributions and investment revenue:										
Earned			\$ 4,513,868	\$ 4,456,773	\$ 4,488,857	\$ 4,834,072	\$ 4,923,003	\$ 6,578,302	\$ 7,962,964	\$ 9,195,760
Ceded			2,290,123	1,951,445	1,940,454	2,324,587	2,387,338	2,976,493	4,116,259	4,740,438
Net earned	\$ 2,297,369	\$ 2,176,244	2,223,745	2,505,328	2,548,403	2,509,485	2,535,665	3,601,809	3,846,705	4,455,322
(2) Unallocated expenses	536,549	594,066	659,692	551,091	573,513	622,794	645,703	711,376	769,742	1,041,155
Policy Year Ended June 30										
(3) Estimated incurred claims and expenses, end of policy year:										
Incurred	-	-	2,520,805	1,994,217	2,645,331	2,440,816	2,831,336	2,417,270	2,398,488	2,734,750
Ceded	-	-	1,068,864	292,000	826,001	648,999	923,000	-	-	-
Net incurred	1,623,542	1,466,581	1,451,941	1,702,217	1,819,330	1,791,817	1,908,336	2,417,270	2,398,488	2,734,750
(4) Net paid (cumulative) as of:										
End of policy year	641,197	768,952	1,205,579	678,114	868,552	605,564	1,118,158	930,486	734,347	967,417
One year later	1,180,668	1,487,817	1,446,080	1,115,398	1,704,778	1,273,877	1,893,307	1,594,953	1,423,097	-
Two years later	1,480,004	1,488,817	1,456,536	1,474,831	1,834,704	1,623,537	1,893,307	1,787,633	-	-
Three years later	1,510,719	1,488,817	1,456,436	1,620,125	1,843,812	1,623,537	1,926,001	-	-	-
Four years later	1,508,709	1,487,925	1,456,436	1,747,073	1,843,812	1,784,527	-	-	-	-
Five years later	1,509,575	1,488,325	1,451,816	1,747,073	1,843,812	-	-	-	-	-
Six years later	1,508,909	1,488,325	1,451,816	1,749,007	-	-	-	-	-	-
Seven years later	1,508,909	1,488,325	-	-	-	-	-	-	-	-
Eight years later	1,508,909	1,488,325	-	-	-	-	-	-	-	-
Nine years later	1,508,909	-	-	-	-	-	-	-	-	-
(5) Re-estimated ceded claims and expenses	-	2,501,134	1,142,018	-	87,862	-	178,036	-	-	-
(6) Re-estimated incurred claims and expenses:										
End of policy year	1,623,542	1,466,581	1,451,941	1,702,217	1,819,330	1,791,817	1,908,336	2,417,270	2,398,488	2,734,750
One year later	1,657,602	1,487,817	1,457,714	1,732,796	1,839,909	1,832,008	1,886,793	2,461,824	2,393,999	-
Two years later	1,706,416	1,488,817	1,456,536	1,761,921	1,843,769	1,773,873	1,925,166	2,408,743	-	-
Three years later	1,552,898	1,488,917	1,456,436	1,761,528	1,842,642	1,768,379	1,926,001	-	-	-
Four years later	1,530,882	1,487,925	1,456,436	1,753,964	1,842,598	1,814,315	-	-	-	-
Five years later	1,509,574	1,488,325	1,451,816	1,761,099	1,843,812	-	-	-	-	-
Six years later	1,509,486	1,488,325	1,451,816	1,749,007	-	-	-	-	-	-
Seven years later	1,508,909	1,488,325	1,451,816	-	-	-	-	-	-	-
Eight years later	1,508,909	1,488,325	-	-	-	-	-	-	-	-
Nine years later	1,508,909	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred claims and expenses, end of policy year	(114,633)	21,744	(125)	46,790	24,482	22,498	17,665	(8,527)	(4,489)	-

\* Effective for 1997, the Trust prospectively adopted the presentation format prescribed by Statement No. 30 of the Governmental Accounting Standards Board (GASB No. 30), *Risk Financing Omnibus*. In accordance with GASB No. 30, ceded claims information has been separately stated.

# M.A.I.S.L. Joint Risk Management Trust

## Statement of Operations by Policy Year from Inception through June 30, 2004

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
<b>Revenue</b>												
Member contributions	\$ 4,380,730	\$ 5,137,988	\$ 5,270,372	\$ 4,765,980	\$ 4,360,463	\$ 4,308,097	\$ 4,319,415	\$ 4,636,581	\$ 4,806,458	\$ 6,487,556	\$ 7,899,706	\$ 9,011,882
Investment income	228,712	164,952	166,332	75,629	53,442	152,893	127,803	158,248	122,320	94,332	50,591	28,194
<b>Total revenue</b>	<b>4,609,442</b>	<b>5,302,940</b>	<b>5,436,704</b>	<b>4,841,609</b>	<b>4,413,905</b>	<b>4,460,990</b>	<b>4,447,218</b>	<b>4,794,829</b>	<b>4,928,778</b>	<b>6,581,888</b>	<b>7,950,297</b>	<b>9,040,076</b>
<b>Expenses</b>												
Provision for claims:												
Payments	1,163,455	1,785,532	1,508,909	1,488,325	1,451,816	1,749,007	1,843,812	1,784,527	1,926,001	1,787,633	1,423,097	967,417
Addition to liabilities for unsettled claims and claims incurred but not reported - Net of reinsurance recovery	-	-	-	-	-	-	-	29,788	-	621,110	970,902	1,767,333
Excess insurance premiums	2,504,457	3,038,251	3,182,098	2,722,025	2,285,765	2,031,267	1,940,454	2,324,587	2,403,103	2,962,499	4,116,259	4,740,438
Service fee	207,570	265,761	284,102	317,754	318,371	277,329	317,677	334,188	362,038	386,553	427,493	441,139
Administrative expenses:												
Risk manager	34,234	32,682	36,546	43,421	45,000	38,660	45,338	43,200	45,000	46,350	47,740	48,172
Insurance and bonds	15,000	16,425	16,425	16,425	16,425	16,425	16,425	16,425	16,425	16,421	16,421	16,422
Professional fees	34,892	34,948	31,219	30,383	28,230	25,603	45,848	36,042	25,420	25,944	31,252	28,402
Office expenses	50,838	44,228	55,374	50,799	64,791	68,760	62,409	62,323	70,738	31,653	50,430	78,328
Administrative fee	39,557	85,400	101,400	110,400	120,000	125,000	130,000	133,900	112,515	111,285	117,485	122,016
Surplus lines tax/State assessments	313	347	6,705	7,831	8,514	8,834	9,666	11,700	13,567	92,855	100,124	285,473
<b>Total expenses</b>	<b>4,050,316</b>	<b>5,303,574</b>	<b>5,222,778</b>	<b>4,787,363</b>	<b>4,338,912</b>	<b>4,340,885</b>	<b>4,411,629</b>	<b>4,776,680</b>	<b>4,974,807</b>	<b>6,082,303</b>	<b>7,301,203</b>	<b>8,495,140</b>
<b>Excess of Revenue Over (Under) Expenses -</b>												
Before distributions to members	559,126	(634)	213,926	54,246	74,993	120,105	35,589	18,149	(46,029)	499,585	649,094	544,936
<b>Distributions to Members</b>	<b>476,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Members' Equity (Deficit)</b>	<b>\$ 82,854</b>	<b>\$ (634)</b>	<b>\$ 213,926</b>	<b>\$ 54,246</b>	<b>\$ 74,993</b>	<b>\$ 120,105</b>	<b>\$ 35,589</b>	<b>\$ 18,149</b>	<b>\$ (46,029)</b>	<b>\$ 499,585</b>	<b>\$ 649,094</b>	<b>\$ 544,936</b>

# M.A.I.S.L. Joint Risk Management Trust

## Statement of Operations and Changes in Members' Equity (Deficit) by Policy Year

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Total
<b>Revenue</b>													
Member contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,233	\$ 57,253	\$ -	\$ 58,532	\$ -	\$ -	\$ 9,011,882	\$ 9,150,900
Investment income	463	35	1,196	278	383	463	8	410	215	4,182	9,033	28,194	44,860
<b>Total revenue</b>	463	35	1,196	278	383	23,696	57,261	410	58,747	4,182	9,033	9,040,076	9,195,760
<b>Expenses</b>													
Provision for claims:													
Payments	-	7,500	-	-	-	1,934	-	160,990	32,694	192,680	688,750	967,417	2,051,965
Addition to (reduction of) liabilities for unsettled claims and claims incurred by not reported - Net of reinsurance recoveries	-	-	-	-	-	(14,025)	1,214	(115,054)	(31,859)	(245,761)	(693,239)	1,767,333	668,609
Excess insurance premiums	-	-	-	-	-	-	-	-	-	-	-	4,740,438	4,740,438
Service fee	-	-	-	-	-	-	-	-	-	-	21,203	441,139	462,342
Administrative expenses:													
Risk manager	-	-	-	-	-	-	-	-	-	-	-	48,172	48,172
Insurance and bonds	-	-	-	-	-	-	-	-	-	-	-	16,422	16,422
Professional fees	-	-	-	-	-	-	-	-	-	-	-	28,402	28,402
Office expenses	-	-	-	-	-	-	-	-	-	-	-	78,328	78,328
Administrative fee	-	-	-	-	-	-	-	-	-	-	-	122,016	122,016
Surplus lines tax/State assessments	-	-	-	-	-	-	-	-	-	-	-	285,473	285,473
<b>Total expenses</b>	-	7,500	-	-	-	(12,091)	1,214	45,936	835	(53,081)	16,714	8,495,140	8,502,167
<b>Excess of Revenue Over (Under) Expenses</b>	463	(7,465)	1,196	278	383	35,787	56,047	(45,526)	57,912	57,263	(7,681)	544,936	693,593
<b>Members' Equity (Deficit) - Beginning of year</b>	82,391	6,831	212,730	53,968	74,610	84,318	(20,458)	63,675	(103,941)	442,322	656,775	-	1,553,221
<b>Members' Equity (Deficit) - End of year</b>	<u>\$ 82,854</u>	<u>\$ (634)</u>	<u>\$ 213,926</u>	<u>\$ 54,246</u>	<u>\$ 74,993</u>	<u>\$ 120,105</u>	<u>\$ 35,589</u>	<u>\$ 18,149</u>	<u>\$ (46,029)</u>	<u>\$ 499,585</u>	<u>\$ 649,094</u>	<u>\$ 544,936</u>	<u>\$ 2,246,814</u>